

JOSEPH W. COTCHETT (SBN 36324)  
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Lead Attorneys for Independent Plaintiffs

**F I L E D**  
Clerk of the Superior Court

MAY 01 2007

By: K SANDOVAL, Deputy

**SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF SAN DIEGO**

**COORDINATION PROCEEDING  
SPECIAL TITLE (RULE 1550(b))**

**NATURAL GAS ANTI-TRUST CASES I,  
II, III & IV**

This Document Relates To:  
**ALL PRICE INDEXING CASES**

JCCP Nos. 4221, 4224, 4226 and 4228

**[PROPOSED] AMENDED ORDER RE:  
PLAINTIFFS' MOTION TO COMPEL  
SEMPRA DEFENDANTS RESPONSES  
TO INDEPENDENT PLAINTIFFS'  
DISCOVERY REQUESTS**

Date: March 13, 2007  
Time: 10:00 am  
Dept: 71  
Hon. Ronald S. Prager

1 On March 13, 2007, the Court informally heard the request of the Independent Plaintiffs  
2 to try to informally resolve Sempra Energy ("Sempra"), Southern California Gas Company  
3 ("SoCalGas") and San Diego Gas & Electric Company's ("SDG&E"), (collectively, "Sempra  
4 Defendants"), objections to Independent Plaintiffs' Second Set of Special Interrogatories, First  
5 Set of Requests for Admissions, First Set of Form Interrogatories, and Third Set of Requests for  
6 Production. Nancy L. Fineman of Cotchett, Pitre & McCarthy appeared for Independent  
7 Plaintiffs. Richard P. Levy of Gibson, Dunn & Crutcher appeared for the Sempra Defendants,  
8 Peter F. Jazayeri and Brian J. Nese of Stroock, Stroock & Lavan and Robert J. Borthwick  
9 appeared for Defendant Sempra Energy Trading Corp. Also appearing in person were Joel B.  
10 Kleinman of Dickstein Shapiro LLP for Defendant Duke Energy Corporation; and Christopher J.  
11 Healey of Luce, Forward, Hamilton & Scripps for Defendant Reliant Energy Services, Inc.  
12 Appearing by telephone were Bennett G. Young, Leboeuf, Lamb, Greene & MacRae, for  
13 Defendant Aquila Merchant Services; Alan Z. Yudkowsky of Stroock & Stroock & Lavan for  
14 Defendant Sempra Energy Trading Corp.; and Diane McGimsey of Sullivan & Cromwell for  
15 Defendant EnCana Corp.

16 After discussing this matter with counsel and obtaining an informal resolution of this  
17 matter, the Court finds and orders as follows:

18 1. The Court denies the Sempra Defendants' request to defer discovery on the  
19 parent-subsidary issue.

20 2. Sempra Energy will provide supplemental responses to the Special Interrogatories  
21 identified by Nancy Fineman in her March 30, 2007 letter, attached hereto as Exhibit A.


22 3. If Sempra Energy believes that a request is unduly burdensome, its counsel is to  
23 meet and confer with counsel for the Independent Plaintiffs to try to decrease the burden.  
24 Sempra Energy should keep track of the time that it spends in responding to the interrogatories to  
25 justify its burdensome objection.

26 4. If there are any further discovery issues that arise, the parties are to meet and  
27 confer to try to informally resolve any disputes. If the parties are unable to informally resolve  
28 their disputes, they are to notify the Court and schedule an *ex parte* hearing. The parties do not

1 need to bring a formal motion. Instead, they should present a grid to the Court which includes a  
2 continuum of the most to least objectionable discovery requests.

3 IT IS SO ORDERED.

4  
5 Dated: MAY 01 2007

  
RONALD S. PRAGER

6  
7 **APPROVED AS TO FORM:**

8 Dated: \_\_\_\_\_

GIBSON, DUNN & CRUTCHER LLP

9   
10 RICHARD P. LEVY  
11 on behalf of the Sempra Defendants  
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# **Exhibit A**

LAW OFFICES  
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OF COUNSEL  
MARK P. FRIEDLANDER, JR.

March 30, 2007

NEW YORK OFFICE  
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NEW YORK, NY 10017  
(212) 682-3198

Via Fax (213) 229-6556

Richard P. Levy  
GIBSON, DUNN & CRUTCHER  
333 South Grand Avenue, Suite 4600  
Los Angeles, CA 90071

Re: *Natural Gas Litigation: Sempra Energy Company's Responses to  
Special Interrogatories*

Dear Mr. Levy:

In follow-up to the March 13, 2007 discovery hearing with Judge Prager about the Sempra Defendants' responses to discovery. We attach a chart, Exhibit 1, which lists the interrogatories to which we request Sempra Energy Company ("Sempra") provide responses. You will note that we have deleted several interrogatories that were part of our February 23, 2007 letter to the Court.


Exhibit 1 also contains information identifying the documents on which the Independent Plaintiffs based the interrogatory, which should assist Sempra in drafting responses.

If Sempra has any objections as to form, burdensomeness, or any other objection, we are happy to meet and confer with you prior to Sempra providing

responses. This is especially true if Sempra believes that these interrogatories are too burdensome.

We request that Sempra respond to these interrogatories within thirty (30) days of today.

Sincerely,



NANCY L. FINEMAN

Enclosure

cc: Joseph W. Cotchett  
Nanci E. Nishimura

# EXHIBIT 1

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
224	<p>Did YOUR business units' capital expenditures depend on the CALIFORNIA UTILITIES paying sufficient dividends to YOU?</p> <p>(Nos. 225-227: Facts, documents, persons)</p>	<ul style="list-style-type: none"> <li>● Sempra Energy Company's 10-K for FY 2002, at <u>pg. 100</u>: "Funding of other business units' capital expenditures is partly <u>dependent on</u> the California Utilities' paying sufficient dividends to Sempra Energy."</li> </ul>
232	<p>Did ERMOC manage the risk management activities of the CALIFORNIA UTILITIES?</p> <p>(Nos. 233-235: Facts, documents, persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SDG&amp;E for 2004, at <u>pg. 62</u> (dated April 2005): "At a corporate governance level, [Sempra Energy Corporate Center] develops risk management policies and guidelines for each utility and affiliate involved in energy trading, setting risk limits for each utility and affiliates, and monitoring actual performance against the risk limits."</li> <li>● Proposed Administrative Law Judge ("ALJ") Terkeurst Decision of <u>Nov. 21, 2002</u>, at <u>pg. 13</u>: "The ERMOC (Sempra Energy Risk Management Oversight Committee) sets corporate policies and procedures for risk management and approves all major risk positions."</li> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at <u>pg. 3</u> (dated Dec 2005): "Risk management <u>oversight</u> is performed by Sempra Energy Corporate Center for the utilities and their affiliates. Sempra Energy Risk Management <u>oversees, monitors, and reports</u> to the Energy Risk Management Oversight Committee on the risk management and trading activities of the Sempra Energy regulated affiliates."</li> <li>● CPUC-authorized Audit of SOCALGAS for 2005, at <u>pg. 58</u> (dated April 2006): In response to a prior year audit recommendation, a Risk Management</li> </ul>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
		<p>Department was established <u>to manage</u> the energy risk activities of both SOCALGAS and SDG&amp;E. This new department performs the risk management functions previously provided by Sempra ERMOC.</p>
236	<p>Did ERMOC monitor the risk management activities of the CALIFORNIA UTILITIES?</p> <p>(Nos. 237-239: Facts, documents, persons)</p>	<ul style="list-style-type: none"> <li>• Proposed Administrative Law Judge ("ALJ") Terkeurst Decision of Nov. 21, 2002, at pg. 13: "The ERMOC (Sempra Energy Risk Management Oversight Committee) sets corporate policies and procedures for risk management and <u>approves</u> all major risk positions."</li> <li>• CPUC-authorized Audit of SOCALGAS for 2003, at pg. 3 (dated Dec 2005): "Risk management oversight is performed by Sempra Energy Corporate Center for the utilities and their affiliates. Sempra Energy Risk Management <u>oversees, monitors,</u> and reports to the Energy Risk Management Oversight Committee on the risk management and trading activities of the Sempra Energy regulated affiliates."</li> <li>• CPUC-authorized Audit of SOCALGAS for 2005, at pg. 58 (dated April 2006): In response to a prior year audit recommendation, a Risk Management Department was established to manage the energy risk activities of both SOCALGAS and SDG&amp;E. This new department performs the risk management functions previously provided by Sempra ERMOC.</li> </ul>
244	<p>Did YOU did use energy management as a corporate shared service with the CALIFORNIA UTILITIES?</p> <p>(Nos. 245-247: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>• CPUC-authorized Audit of SDG&amp;E for 2004, at pg. 61 (dated Apr 2005): "SDG&amp;E's joint utilization of Energy Risk Management as <u>a corporate shared service...</u>"</li> </ul>



NO.	INTERROGATORY	SUPPORTING DOCUMENTS
		<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 3 (dated Dec 2005): "Risk management oversight is performed by Sempra Energy Corporate Center for the utilities and their affiliates. Sempra Energy Risk Management oversees, monitors, and reports to the Energy Risk Management Oversight Committee on the risk management and trading activities of the Sempra Energy regulated affiliates."</li> </ul>
248	<p>Has ERMOC participated in the analyses of liquidity and market risk to create a forward hedging portfolio for natural gas procurement?</p> <p>(Nos. 249-251: Facts, documents, persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 64 (dated Dec 2005): "In a number of cases, [Sempra] Energy Risk Management in analyses of market risk and liquidity to create a forward hedging portfolio for natural gas procurement."</li> </ul>
252	<p>In the absence of liquidity could YOU provide credit services, including guarantees, to YOUR unregulated AFFILIATES?</p> <p>(Nos. 253-255: Facts, documents, persons)</p>	<ul style="list-style-type: none"> <li>● Sempra Energy Company's 10-K for FY 2001, at pg. 99: "At December 31, 2001, SET had \$548 million in various uncommitted lines of credit that are <u>guaranteed by Sempra Energy</u> and bear interest at rates varying with market rates and Sempra Energy's credit rating."</li> </ul>
		<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 27 (dated Dec 2005): Significant reductions in the cash flow from Sempra's California Utilities, which are the major source of Sempra's liquidity, would require a reduction in its trading operations.</li> </ul> <p>"For several years...Sempra Energy has been engaged in providing its unregulated subsidiaries ...credit services related to the use of gas that is required to conduct their business in the gas markets. Entering 2003, Sempra energy <u>guaranteed</u></p>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
		<p><u>approximately \$400 million in commercial paper for...Sempra Energy Global, whose activities include gas...</u>" (Pg. 32)</p>
256	<p>Did YOUR unregulated affiliates, including SET, provide credit services to counterparties in natural gas or electric transactions?</p> <p>(Nos. 256-259: Facts, documents, and persons)</p>	<p>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 26 (dated Dec 2005): For any gas trading, development or operating company, "<u>credit must be provided to its counterparties before a counterparty will commit to a trade or a transaction.</u>"</p>
260	<p>Did YOU obtain credit for YOUR AFFILIATES on a consolidated basis?</p> <p>(Nos. 261-263: Facts, documents, and persons)</p>	<p>● SOCALGAS Gas Acquisition Committee meeting minutes for Dec 1999: Mark Randle (member of Sempra ERMOC) says Sempra is "looking at credit on a consolidated basis for managing all Sempra entities"</p>
264	<p>Did YOU treat credit as a capital allocation issue?</p> <p>(Nos. 265-267: Facts, documents, and persons)</p>	<p>● SOCALGAS Gas Acquisition Committee meeting minutes for Dec 1999: Mark Randle (member of Sempra ERMOC) says Sempra is looking at credit "as a capital allocation issue because it is a capital resource"</p>
272	<p>Did YOU determine the credit policies of the CALIFORNIA UTILITIES?</p> <p>(Nos. 273-275: Facts, documents, and persons)</p>	<p>● Proposed Administrative Law Judge ("ALJ") Terkeurst Decision of Nov. 21, 2002, at pg. 13: "The ERMOC (Sempra Energy Risk Management Oversight Committee) <u>sets</u> corporate policies and procedures for risk management and approves all major risk positions."</p>
276	<p>Did YOU determine the credit policies of SET?</p> <p>(Nos. 277-279: Facts, documents, and persons)</p>	<p>● Proposed Administrative Law Judge ("ALJ") Terkeurst Decision of Nov. 21, 2002, at pg. 13: "The ERMOC (Sempra Energy Risk Management Oversight Committee) <u>sets</u> corporate policies and procedures for risk management and approves all major risk positions."</p>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
288	<p>Has ERMOC received from the CALIFORNIA UTILITIES natural gas procurement-related data to calculate VAR?</p> <p>(Nos. 289-291: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SDG&amp;E for 2004, at pg. 9 (dated Apr 2005): "SDG&amp;E and SOCALGAS have agreed to adopt [the] recommendation to perform this risk management function at the utilities with the result that <u>procurement-related data used to calculate value at risk (VAR)</u> and counter-party credit information will no longer be transmitted to Sempra Energy's Risk Management Department."</li> </ul>
292	<p>Has ERMOC received counter-party credit information from the CALIFORNIA UTILITIES?</p> <p>(Nos. 293-295: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SDG&amp;E for 2004, at pg. 9 (dated Apr 2005): "SDG&amp;E and SOCALGAS have agreed to adopt [the] recommendation to perform this risk management function at the utilities with the result that <u>procurement-related data used to calculate value at risk (VAR)</u> and <u>counter-party credit information</u> will no longer be transmitted to Sempra Energy's Risk Management Department."</li> </ul>
300	<p>Did ERMOC receive SoCal Energy Distribution Services Natural Gas ("SCEDS NGAS") Hub/Sales/Purchase quantity data by counterparty?</p> <p>(Nos. 301-303: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SDG&amp;E for 2004, at pg. 63 (dated Apr 2005): Mark Randle of Sempra Energy Risk Management received this information.</li> </ul>
304	<p>Did ERMOC use SCEDS NGAS Hub/Sales/Purchase quantity data to approximate credit exposure?</p> <p>(Nos. 305-307: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SDG&amp;E for 2004, at pg. 63 (dated Apr 2005): This data is "used to approximate credit exposure"</li> </ul>



NO.	INTERROGATORY	SUPPORTING DOCUMENTS
346	<p>Did YOU guarantee lines of credit for SET?</p> <p>(Nos. 347-349: Facts, documents, and persons)</p>	<p>● Sempra Energy Company's 10-K for FY 2001, at pg. 99: "At December 31, 2001, SET had \$548 million in various uncommitted lines of credit that are <u>guaranteed by Sempra Energy</u> and bear interest at rates varying with market rates and Sempra Energy's credit rating."</p>
354	<p>Was there any COMMUNICATION between ERMOC, including Mark Randle, and SOCALGAS concerning WASH TRADES?</p> <p>(Nos. 355-357: Facts, documents, and persons)</p>	
358	<p>Did SOCALGAS report daily the risk of the portfolio of the December 2000 to February 2001 price HEDGE to ERMOC, including Mark Randle?</p> <p>(Nos. 359-361: Facts, documents, and persons)</p>	<p>● SOCAL-created document, Exh. 90, Attachment 4-2, pg. 5 to Proposed ALJ Decision of Nov 2002: "<u>As with the December to February price HEDGE</u>, the risk of the portfolio was reported daily to SoCalGas Management and Sempra Corporate Risk Management."</p>
362	<p>Did SOCALGAS report daily the risk of the portfolio of the December 2000 to March 2001 basis HEDGE to ERMOC, including Mark Randle?</p> <p>(Nos. 363-365: Facts, documents, and persons)</p>	<p>● SOCALGAS-created document, Exh. 90, Attachment 4-2, pg. 5 to Proposed ALJ Decision of Nov 2002: "<u>As with the December to February price HEDGE</u>, the risk of the portfolio was reported daily to SoCalGas Management and Sempra Corporate Risk Management."</p>
366	<p>Did SOCALGAS report daily the risk of the portfolio of the March 2001 price HEDGE to ERMOC, including Mark Randle?</p> <p>(Nos. 367-369: Facts, documents, and persons)</p>	<p>● SOCALGAS-created document, Exh. 90, Attachment 4-2, pg. 5 to Proposed ALJ Decision of Nov 2002: "<u>As with the December to February price HEDGE</u>, the risk of the portfolio was reported daily to SoCalGas Management and Sempra Corporate Risk Management."</p>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
378	<p>Did ERMOC give SOCALGAS approval to increase its VAR for the December 2000 to February 2001 price HEDGE?</p> <p>(Nos. 379-381: Facts, documents, and persons)</p>	See Interrogatory No. 232
386	<p>Did ERMOC give SOCALGAS approval to increase its VAR for the December 2000 to March 2001 basis HEDGE?</p> <p>(Nos. 387-389: Facts, documents, and persons)</p>	See Interrogatory No. 232
394	<p>Did ERMOC give SOCALGAS approval to increase its VAR for the March 2001 price HEDGE?</p> <p>(Nos. 395-397: Facts, documents, and persons)</p>	See Interrogatory No. 232
398	<p>Could SOCALGAS have increased its VAR for the March 2001 price HEDGE without approval from ERMOC?</p> <p>(Nos. 399-401: Facts, documents, and persons)</p>	See Interrogatory No. 232
414	<p>Did SOCALGAS have COMMUNICATION with Mark Randle concerning its daily natural gas trading positions?</p> <p>(Nos. 415-417: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 66 (dated Dec 2005): "...the Vice President of Sempra Energy Risk Management reviewed the utilities' and affiliates' <u>daily positions</u>."</li> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 58 (dated Dec 2005): "SoCalGas provided its <u>daily 'position reports'</u> to Sempra Energy Risk Management. This information was never made available to all market participants."</li> </ul>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
446	<p>IDENTIFY all COMMUNICATION between ERMOC, including Mark Randle, and SDG&amp;E concerning WASH TRADES.</p> <p>(Nos. 447- Persons)</p>	
448	<p>Did SDG&amp;E report its HEDGING activities daily to ERMOC, including Mark Randle, from December 2000 to March 2001?</p> <p>(Nos. 449-451: Facts, documents, and persons)</p>	<ul style="list-style-type: none"> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 66 (dated Dec 2005): "...the Vice President of Sempra Energy Risk Management reviewed the utilities' and affiliates' <u>daily positions</u>."</li> </ul>
468	<p>Did ERMOC have COMMUNICATION with SET concerning limitations on SET's use of FINANCIAL DERIVATIVES?</p> <p>(Nos. 469-471: Facts, documents, and persons)</p> <p>"FINANCIAL DERIVATIVES" means financial instruments based on the underlying price of a physical or financial instrument and designed to reduce a company's exposure to fluctuations in interest rate, foreign-currency exchange rates and energy prices, and include but are not limited to interest-rate swap and cap agreements, and energy and natural gas derivatives such as forward contracts, futures, swaps, and options.</p>	<ul style="list-style-type: none"> <li>● Proposed Administrative Law Judge ("ALJ") Terkeurst Decision of Nov. 21, 2002, at pg. 13: "The ERMOC (Sempra Energy Risk Management Oversight Committee) sets corporate policies and procedures for risk management and approves all major risk positions."</li> <li>● CPUC-authorized Audit of SOCALGAS for 2003, at pg. 3 (dated Dec 2005): "Risk management oversight is performed by Sempra Energy Corporate Center for the utilities and their affiliates. Sempra Energy Risk Management oversees, monitors, and reports to the Energy Risk Management Oversight Committee on the risk management and trading activities of the Sempra Energy regulated affiliates."</li> <li>● CPUC-authorized Audit of SOCALGAS for 2005, at pg. 58 (dated April 2006): In response to a prior year audit recommendation, a Risk Management Department was established to manage the energy risk activities of both SOCALGAS and SDG&amp;E. This new department</li> </ul>

NO.	INTERROGATORY	SUPPORTING DOCUMENTS
		performs the risk management functions previously provided by Semptra ERMOC.

1 JOSEPH W. COTCHETT (SBN 36324)  
2 NANCY L. FINEMAN (SBN 124870)  
3 NANCY E. NISHIMURA (SBN 152621)  
4 STEVEN N. WILLIAMS (SBN 175489)  
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9 Attorneys for Independent Plaintiffs

ID # 14638191

FILED

Clerk of the Superior Court

APR 26 2007

By: V. FERRERAS, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA

COUNTY OF SAN DIEGO

9 Coordination Proceeding Special Title ) JCCP Nos. 4221, 4224, 4226 and 4228  
10 (Rule 1550(b)) )  
11 **NATURAL GAS ANTI-TRUST CASES** ) **PROOF OF SERVICE**  
12 **I, II, III & IV** ) **VIA LEXISNEXIS FILE & SERVE**

13 This document relates to:

14 **ALL PRICE INDEXING CASES**

15  
16 I, JoAnne Lein, declare:

17 I am employed in Burlingame, CA. I am over the age of eighteen and not a party to the  
18 within cause. My business address is 840 Malcolm Road, Burlingame, California, 94010.

19 On this day, I caused to have served the following documents as required on the parties  
20 and/or counsel of record designated for electronic service in this matter on the LexisNexis File &  
21 Serve website.

22 **[PROPOSED] AMENDED ORDER RE: PLAINTIFFS' MOTION TO**  
23 **COMPEL SEMPRA DEFENDANTS' RESPONSES TO INDEPENDENT**  
24 **PLAINTIFFS' DISCOVERY REQUESTS**

25 I declare under the penalty of perjury under the laws of the State of California that the  
26 foregoing is true and correct and this declaration was executed on April 26, 2007, at Burlingame,  
27 California.

28 /s/  
JOANNE LEIN

LAW OFFICES  
COTCHETT,  
PITRE &  
MCCARTHY